

COUNTY OF MONTGOMERY, VIRGINIA

FISCAL YEAR 09 APPROVED BUDGET

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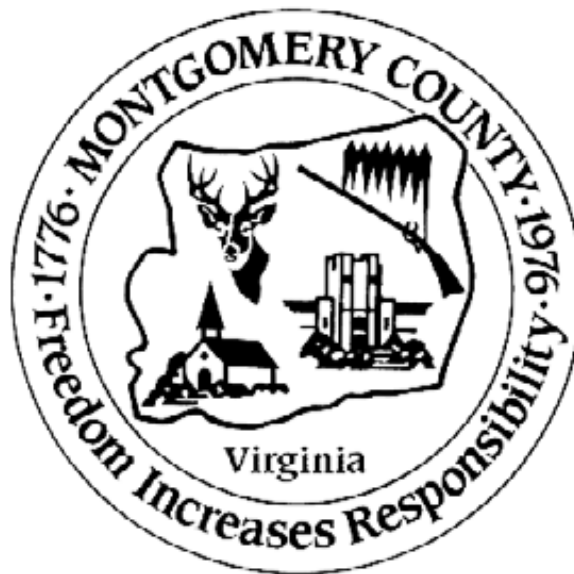
Angela M. Hill

BUDGET MANAGER

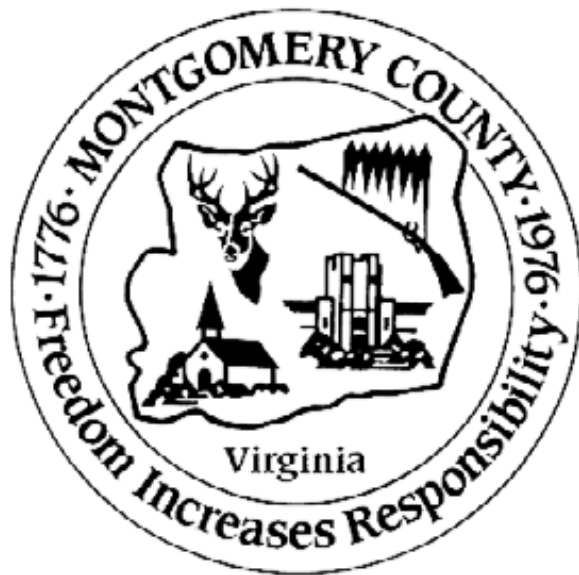
Marc M. Magruder

SENIOR PROGRAM ASSISTANT

Susan S. Dickerson



BUDGET MESSAGE



FISCAL YEAR 09
APPROVED BUDGET

BUDGET MESSAGE FY 09

March 7, 2008

Board of Supervisors
County of Montgomery, Virginia

Dear Chair Perkins and Members of the Board:

The budget team and I are pleased to present the FY 2009 Proposed Budget to you and the citizens of Montgomery County. The budget was developed with a philosophy of addressing as many high priority operational and capital projects needs as possible even though a significant amount of additional revenue must be generated. The proposed budget is balanced based on a real estate tax rate of 75 cents--which is a 12 cent increase from the current rate of 63 cents.

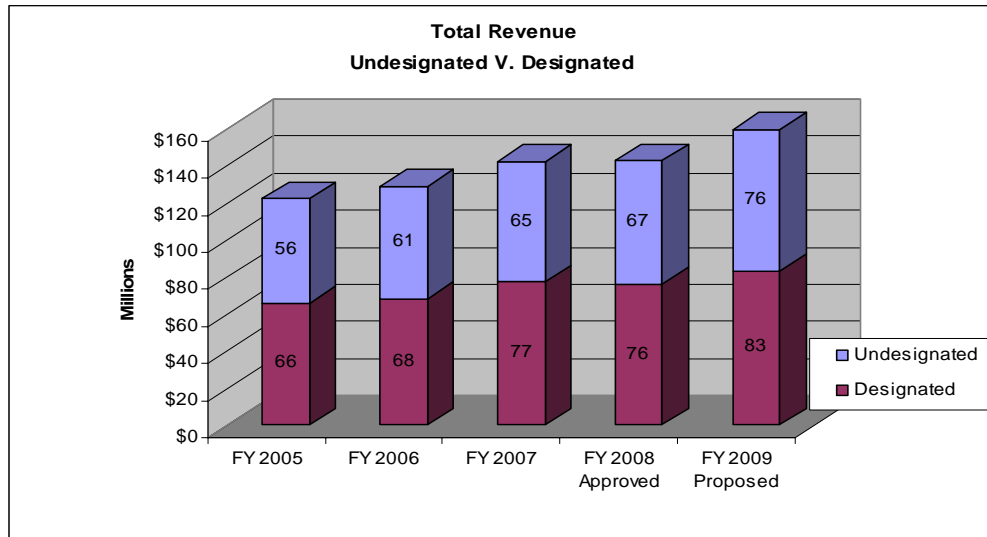
Many items funded within the FY 09 budget respond to obligations and commitments. Last year, the Board of Supervisors agreed to an aggressive capital program for school and county facilities. With a plan to issue \$130 million in bonds over a five year period, the County will initiate projects which include new schools, a new courthouse, a public safety building and a renovated local jail. The estimated additional debt service cost in the upcoming year is \$3.3 million.

Public Safety needs are also a central focus of the Proposed Budget. The Western Virginia Regional Jail is slated to open in March 2009 when the County will begin paying to place inmates in the new facility. Until that time, the County will need to continue contracting with other facilities to house County inmates. The projected additional inmate cost in the upcoming year is over \$800,000. Also, the School Resource Officer grants expire this year. Continuing support for these officers and another dispatcher position adds nearly \$240,000. To support our volunteer fire and rescue departments, the FY 09 budget earmarks 1 cent on the real estate tax rate for fire and rescue equipment, providing over \$650,000 for this purpose.

Revenue Plan

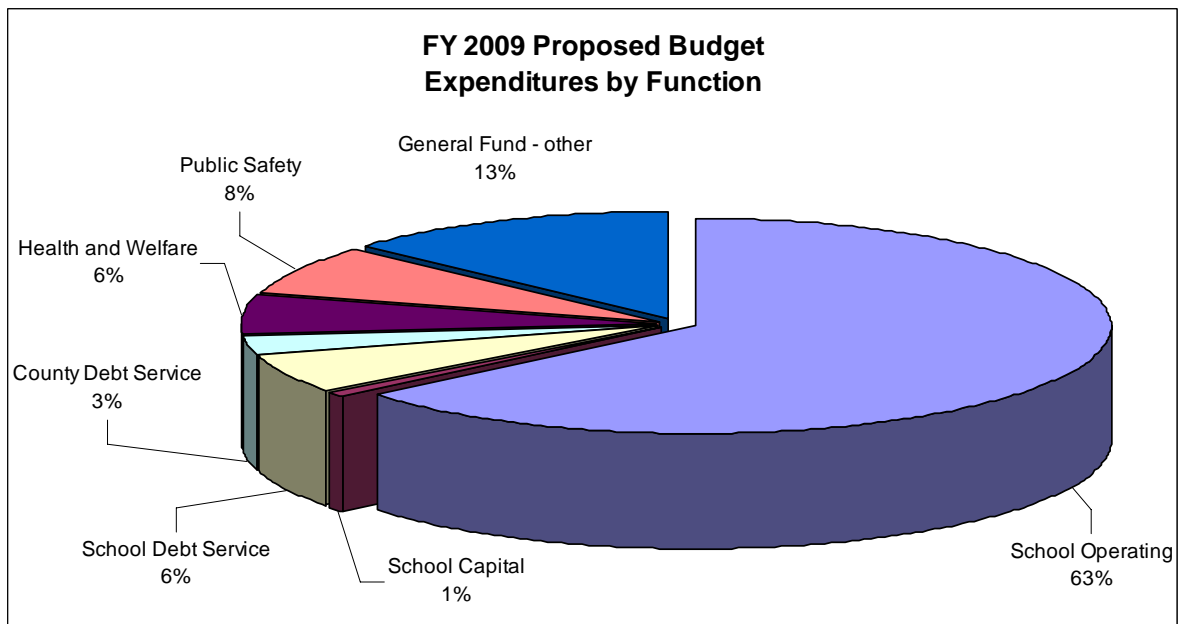
FY 09 revenue totals \$159.4 million of which \$82.9 million are state, federal and other designated funds and \$76.5 million represents County dollars that are not designated for a specific purpose. These undesignated funds are generated primarily from property taxes and sales tax. County undesignated revenue in FY 09 will increase by \$9.7 million of which \$7.9 million is generated from the 12 cent increase in the tax rate.

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Expenditure Plan

The FY 2009 Proposed Budget for all funds totals \$159.4 million, an increase of 12% over the 2008 Adopted Budget. Included in this total is the General Fund (\$40.4 million, an increase of \$4.3 million or 12%), the Law Library (\$17,600, level funding), the School Operating Fund (\$99.2 million, an increase of \$9.5 million or 11%), the School Nutrition Fund (\$3.8 million, an increase of \$.1 million or 3%), the School Capital Fund (\$1.3 million, a decrease of \$1.2 million or 48%), the County Capital Fund (\$.6 million, an increase of \$.6 million or 100%), and the Debt Service Fund (\$14.1 million, an increase of \$3.3 million or 31%). The School Capital Fund decrease represents the use of these monies to cover debt service costs for new school projects.

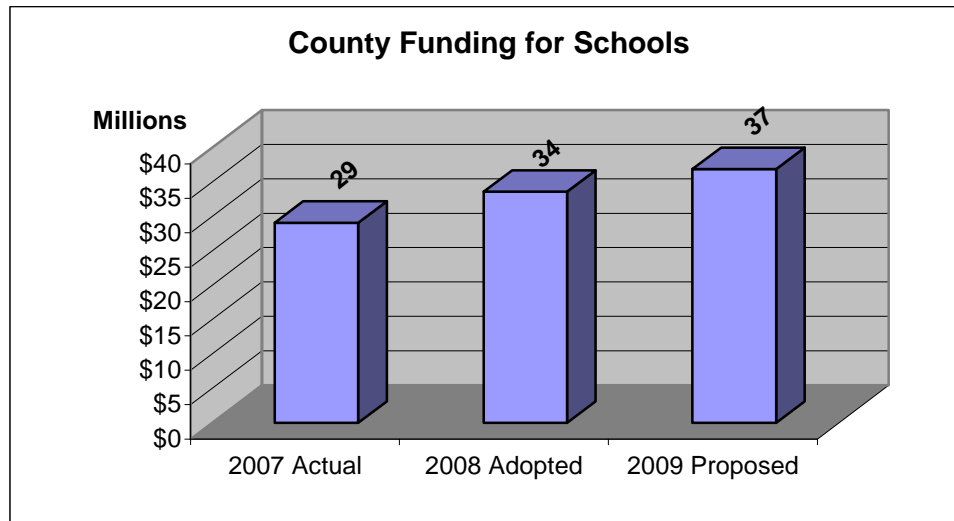


As noted previously, a significant amount of funding is included in the FY 09 budget to address public safety needs as well as capital improvements. Additional funding is required to address needs in other areas such as education.

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Education

The FY 2009 Proposed Budget increases the County funds provided to Schools by \$3.3 million. This amount funds 80% of the County dollars requested by the Schools. When added to the additional state, federal and other sources of revenue, the total increase in revenue for the schools will be \$9.5 million.



Debt Service

Debt service costs will increase \$3.3 million in the upcoming year to cover the cost of the first of three planned bond issues over the next few years. It is estimated that \$45 million will be issued in FY 09. The prior decision by the Board to reserve 4 cents of the real estate tax rate for new school construction provided funding within the base budget to cover a portion of the debt service cost. The FY 09 Proposed Budget uses two cents of the earmarked four cents for school debt service and requires the equivalent of a 3 cent increase on the real estate rate to cover the additional estimated increase in debt service costs next year.

Employee Compensation and Benefits

The FY 09 Proposed Budget includes additional dollars to address compensation issues for School and County employees, as well as, the increased cost of health insurance.

Compensation for County employees includes:

- Funding for Phase IV of a five year plan to fully implement the Management Advisory Group (MAG) compensation plan. This affects 229 employees with an estimated cost of \$161,547.
- Adjusting the entire pay scale 5% and adjusting salaries based on 5% of the new adjusted market point of the employee's pay grade.
- Awarding a 1% merit increase on actual salary on the employee's anniversary date.

Through the Institute of Government, salary survey data was gathered for localities comparable to Montgomery County. The survey results indicate County minimum salaries are 5.2% below average, market

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salaries 5.3% below average, and maximum salaries are 5.4% below. This data documents the need for a salary scale adjustment of at least 5%.

As with most years, the issue of increasing the salaries of existing staff is in competition for resources with the need to hire additional staff. The FY 09 Proposed Budget, as in past years, has placed salary increases for existing staff as a top priority. Although eleven full-time positions were requested by County departments and offices, funds are proposed to cover only public safety positions—three existing school resource officers which were previously grant funded, one new school resource officer and an additional dispatcher. Although positions to address needs in other areas such financial analysis, operational safety, building plan review, and others areas were well justified, the need to keep the salaries of our existing positions competitive was deemed a higher priority. Although additional positions have been deferred for FY 09, the need for such resources will continue and need to be addressed in a future budget. For example, two new positions to support administrative functions, a Financial Analyst and a Safety and Environmental Manager were requested. The Financial Analyst was intended to enable increased analysis of revenue sources and allow for future financial planning. The Safety and Environmental Manager position, suggested by Department Directors, was intended to assist departments with the increased workload generated from federal and state mandates for workplace safety, as well as, ensure consistency and compliance with these laws and regulations countywide. While existing County staff will continue to handle the workload in these areas over the next year, funding for these positions will be revisited in a future budget – as the workload of existing staff continues to increase and the need for additional positions becomes even more critical.

The intent of the FY 09 Proposed Budget is to increase County funds for Schools that when combined with state funds will offer the School Board funding sufficient to provide salary increases for School employees comparable to the average increase for County employees. County funds of \$3.3 million when added to state funds of \$2.2 million will provide a total of \$5.5 million. With each 1% salary increase costing \$711,785, these monies are intended to afford an across the board increase of 7.6%. Based on the school staff's projection of state funding available for compensation, after using \$2.2 million for compensation, a balance of \$1.4 million would be available for other operational costs or added compensation.

In addition, health insurance benefits for both County and School employees are estimated to increase over 10% in the upcoming year. The health insurance increase is expected to cost the County \$215,000 and the Schools \$735,631. The 10% increase in the upcoming year for County employee health insurance represents a zero change in County health insurance costs over the past two year period. In FY 08, health insurance premiums dropped 10% over the prior year, meaning the FY 09 increase of 10% places the County's cost at the FY 07 level. Contributing to this leveling of health costs is the success of the County's wellness program which is widely used generating the need for expansion. Seeing the success of this program—particularly the on-site clinic—has led to a request that the New River Valley Consortium seek proposals for FY 09 from other health insurance carriers who may place a higher value on these workplace programs and offer greater savings in health insurance costs for these successful initiatives. The outcome of these negotiations will be presented to the Board in the future.

Other Highlights:

- \$200,000 is included for the County share of the cost of the study to determine the costs of the County's participation in the Blacksburg, Christiansburg, VPI Water Authority.
- \$250,000 for the Revenue Sharing program to improve county roads.

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- \$50,617 for additional program costs for Parks and Recreation.
- \$53,628 for the increased cost for utilities at County facilities and fuel costs.
- \$55,395 to begin Phase I of a three year plan to increase the base budget for Library book purchases
- \$116,299 for increased costs for fire and rescue department operations
- \$260,909 to improve technology services within the County of which \$124,700 provides mobile data terminal in deputies' patrol cars
- \$192,042 to cover additional operating costs in the Sheriff's Office.
- \$100,000 to increase the budget for General Contingencies to bring the total amount closer to meeting the County's financial policy of 1% of the total General Fund.

Conclusion

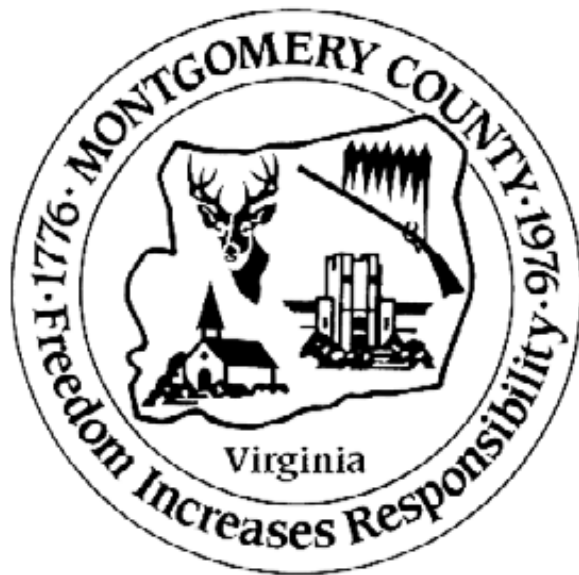
The FY 09 Proposed Budget represents a significant increase in funding necessary to meet high priority needs. County departments, public schools and agencies outside of the local government presented valid needs for additional funds - all of which could not be addressed in this budget. I am, however, pleased with what this proposal accomplishes. I look forward to working with the Board in your upcoming deliberations.

Sincerely,



B. Clayton Goodman III
County Administrator

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FISCAL YEAR 09 APPROVED BUDGET

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EXPENDITURE PLANS

	Revenue Sharing	250	Clerk of the Circuit Court
100	Board of Supervisors	310/320	Sheriff
110	County Administration	330	Fire Departments & Rescue Squads
120	County Attorney	400	General Services
130	Financial & Management Services	510	Comprehensive Services Act
132	Insurance	520	Human Services
140	Information Management Services	530	Public Health Department
150/152	Commissioner of Revenue/Assessments	540	Social Services
	Reassessment	700	Parks & Recreation
160/162	Treasurer & Treasurer Collections	710	Regional Library System
170	Registrar/Electoral Board	800	Planning & GIS Services
180	Internal Services	810	Economic Development
200	Commonwealth Attorney	910	Other Agencies
210	Circuit Courts	950/960	Contingencies-General & Special
220	General District Court	03	Law Library
230	Juvenile & Domestic Relations Court	09	Montgomery County Public Schools
240	Magistrate	18	General Government Debt Services
			Capital Construction